

Message Text

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AMEMBASSY KUWAIT

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E.O. 11652: N/A

TAGS: BEXP, YO

SUBJECT: MAJOR PROJECTS: KOPER REFINERY

REF: ZAGREB 0423 AND PREVIOUS

SUMMARY: MEPD REPRESENTATIVE MET WITH MARJAN STARC TO DISCUSS KOPER REFINERY AND PETROCHEMICAL PROJECT. STARC NOT UP TO DATE ON STATUS NEGOTIATIONS WITH POSSIBLE JOINT VENTURE PARTNERS, BUT IS AWARE LIBYANS HAVE AGREED TO PARTICIPATE IN PRINCIPLE AND THAT SERMIN STILL LOOKING FOR OTHER PARTICIPANTS. STARC SUPPLIED WITH ENGINEERING/CONSTRUCTION FIRMS TO CONTACT, AND WILL REPORT BACK TO MEPD BEFORE RETURNING TO YUGOSLAVIA.D REQUEST EMBASSY READINGS ON STATUS NEGOTIATIONS AND SERMIN DETERMINATION TO BUY U.S.

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1. MEPD PROJECT OFFICER VISITED BOSTON ON JULY 31 TO MEET

WITH STARC. STARC MOST PLEASED WITH EXPERIENCE AT MARKETING INSTITUTE AND GRATEFUL FOR EMBASSY HELP IN OBTAINING FINANCIAL ASSISTANCE. STARC DEPARTING BOSTON AUGUST 3 FOR FOUR WEEK TOUR OF U.S. WITH INSTITUTE PARTICIPANTS.

2. BECAUSE OF LONG ABSENCE FROM YUGOSLAVIA, STARC NOT FULLY UP TO DATE ON STATUS OF PROJECT. HE DID NOT TAKE PART IN MOST RECENT NEGOTIATIONS WITH LIBYANS, AS MEETING WAS POSTPONED UNTIL AFTER HIS DEPARTURE FOR U.S. HE HAS, HOWEVER, RECEIVED LETTER STATING THAT LIBYANS HAVE AGREED IN PRINCIPLE ON JOINT VENTURE FOR REFINERY, AND HAVE GIVEN APPROVAL FOR 8 MILLION TON CAPACITY.

3. QUESTION REMAINS AS TO EXTENT LIBYAN INVOLVEMENT. IF LIBYA DOES NOT TAKE FULL 49 PERCENT EQUITY POSITION ALLOWED BY LAW, SERMIN WILL SEEK OTHER PARTNERS. AS FAR AS STARC KNOWS, SERMIN STILL NEGOTIATING WITH KUWAIT ON POSSIBLE PARTICIPATION. KUWAITIS AND LIBTANS ALSO INTERESTED IN PARTICIPATING PETROCHEMICAL VENTURE, HOWEVER, NO DEFINITE COMMITMENT AS YET. STARC MENTIONED WEST GERMAN FIRM INTERESTED IN BUYING PRODUCT MAY ALSO BE POSSIBLE PARTNER. STARC HAS DISREGARDED OFFER BY WORLD TRADE AND CONSULTING CORP. (USDOC HAS NO INFO ON THIS FIRM), BUT MAY SEEK OTHER POTENTIAL U.S. PARTNERS AND BUYERS DURING HIS TOUR.

4. ACCORDING TO STARC, FEASIBILITY STUDY DONE BY MCKEE CTIP BEING MODIFIED BY YUGOSLAVIAN FIRM FOR NOW DEFINITE 8 MILLION TON REFINERY. HAS NO IDEA WHEN TENDERS WILL BE ISSUED, AS DEPENDS ON FINAL JOINT VENTURE ARRANGEMENT AND COMPLETION OF UPDATED FEASIBILITY STUDY. JOINT BENTURE PARTNER WILL, OF COURSEN TAKE PART IN DECISION FOR AWARD OF DESIGN/CONSTRUCTION CONTRACT.

5. DISCUSSED WITH STARC SUBJECT OF ISSUANCE OF REQUESTS FOR PROPOSALS. MEPD REP EMPHASIZED MERITS OF EITHER TURN-KEY OR PROJECT MANAGEMENT APPROACH TO INCLUDE BOTH REFINERY AND PETROCHEMICAL FACILITIES, ASSURING STARC THAT SUCH ARRANGEMENTS COULD INCORPORATE LOCAL CONSTRUCTION COMPONENT. STARC SEEMS TO FAVOR ISSUANCE OF INVITATIONS TO SELECTED FIRMS, RATHER THAN INTERNATIONAL OPEN BIDDING ANNOUNCEMENT. LIMITED OFFICIAL USE

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CLOSED BIDDING SITUATION WAS ENCOURAGED BY MEPD, AS IS MORE DESIRABLE TO U.S. FIRMS.

6. THE LUMMUS COMPANY, CHEMICAL CONSTRUCTION CO. (CHEMICO), STONE AND WEBSTER, AND M.W. KELLOGG HAVE EXPRESSED TO MEPD GREAT INTEREST IN PROJECT. STARC PROVIDED WITH NAMES OF PERSONS TO CONTACT AT THOSE FIRMS, AS WELL AS OTHER COMPANIES LOCATED IN CITIES HE WOULD BE VISITING. ALSO

SUGGESTED HE CONTACT MCKEE'S U.S. OFFICES. MEPD WILL INFORM THESE FIRMS OF HIS ITINERARY. SUGGESTED TO STARC THAT HE REQUEST ENGINEERING/CONSTRUCTION FIRMS INTRODUCE HIM TO EQUIPMENT SUPPLIERS, AS THEY WOULD BE MOST FAMILIAR WITH HIS NEEDS.

7. STARC WILL BE IN WASHINGTON AUGUST 28 AND WILL CONTACT MEPD BEFORE RETURNING TO YUGOSLAVIA.

8. ACTION REQUESTED: A) WOULD LIKE UPDATE ON STATUS JOINT VENTURE NEGOTIATIONS, INCLUDING POSSIBLE INTEREST WEST GERMANS. WOULD APPRECIATE EMBASSY'S READING OF HOW THIS MAY AFFECT CHOICE OF ENGINEERING/CONSTRUCTION FIRM. DOES WEST GERMAN OFFER OR DUTCH INTEREST IN PETROCHEMICAL FACILITY ENHANCE EUROPEAN CHANCES FOR CONTRACT AWARD?
B) WOULD LIKE EMBASSY COMMENTS RE SERMIN'S POSSIBLE PREDISPOSAL TO "BUY AMERICA". PROBLEM IS ENCOURAGING AMERICAN FIRMS TO BID OUT OF U.S. RATHER THAN EUROPEAN OFFICES. IS MCKEE CTIP PLANNING ON BIDDING REFINERY AND PETROCHEM FACILITY FROM ITALY? IS SERMIN PREDIPOSED TO MCKEE FOR ENGINEERING/CONSTRUCTION?
C) EMBASSY MAY WISH TO DISCUSS BIDDING PROCEDURES AS MENTIONED PARA 5. EMBASSY SHOULD ALSO EMPHASIZE U.S. FIRMS NOT GENERALLY WILLING TO BID ON FIXED PRICE BASIS.
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